



ASX Announcement

## Acquisition of GSM Innovations to create Australia's leading electrical Internet of Things provider

ASX RELEASE

30 September 2020

### Highlights

- Quantify Technology enters into Binding Terms Sheet for the acquisition of 100% of the share capital of GSM Innovations Pty Ltd, a wholly owned subsidiary of Gerard Private Holdings (Finance) Pty Ltd.
- The Gerard family's electrical tradition spans 100 years of supplying quality electrical products to millions of Australians, including the development of Clipsal C-Bus, one of the leading home automation brands acquired by Schneider Electric in 2003.
- GSM Innovations business is complementary to Quantify Technology's current business. Following completion of the Acquisition, the combined business will continue to focus on smart home technology devices and controllers, worth \$1.8 billion in Australia in 2020.
- Bringing both companies together creates Australia's leading electrical Internet of Things provider with substantial synergies to accelerate growth:
  - Cross-sell more complete family of connected smart home products, notably through Gerard Private's existing relationships with the electrical wholesale market;
  - Strengthened team with Simon Gerard (CEO of Gerard Private) joining the board and Jordan Tentori appointed as Chief Technology Officer, and board member;
  - Reduced costs, with synergies to be realised following integration;
  - Creates a single powerful platform for all connected products;
  - Delivers a flexible business model for both the supply of products and the licensing of intellectual property (with existing arrangement with GSM Electrical (Trader), Beacon Lighting and Steel-line).

**Quantify Technology Holdings Limited (ASX:QFY)** (“Quantify Technology”, the “Company”) is pleased to announce it has entered into a Binding Terms Sheet for the Acquisition of 100% of the share capital of GSM Innovations Pty Ltd (“**GSM-I**”), a wholly owned subsidiary of Gerard Private Holdings (Finance) Pty Ltd (“**Gerard Private**”) or (“**Vendor**”).

GSM-I produces a range of connected devices that can be installed by any electrician with the ability for end-users to setup and configure the devices as desired. The GSM-I product range controls lights, fans, appliances, switches, garage doors and more. The technology is scalable for partial to complete home solutions and can accommodate a variety of budgets. The product range is suitable for both new and existing homes.

Control your lights, fans, appliances, switches, blinds, garage door and more...



**zimi. powermesh**

GSM-I, which trades under the name Zimi/Powermesh, was incubated by Gerard Private, a substantial privately owned business. The Gerard family’s electrical tradition spans 100 years of supplying quality electrical products to millions of Australians, including the development of Clipsal C-Bus, one of the leading home automation brands that was acquired by Schneider Electric in 2003. Gerard Private is the parent company of GSM Electrical (Trader) which supplies into the electrical wholesale market and the GSM Retail Group which supplies into the electrical retail market.

The Acquisition brings the following synergy benefits to the Company:

- Cross-sell a more complete family of connected products. GSM Electrical Pty Ltd (**"GSM Electrical"**) trading under the brand, Trader, will be the exclusive distributor into the electrical wholesale market under an initial three-year agreement whereby it will distribute, promote, stock and sell the GSM-I products into the more than 900 electrical wholesalers across Australia.
- The team will be strengthened. Simon Gerard will join the board and Jordan Tentori will be appointed as Chief Technology Officer, as well as joining the board. Simon is the CEO of Gerard Private which owns, GSM Electrical (Trader) and the GSM Retail Group. Jordan is the Co-Founder and General Manager of GSM-I with a demonstrated history of working nationally and internationally with electrical and lighting industries to evolve technology into commercial reality.
- There will be reduced costs from combining the two teams. As importantly, the GSM-I manufacturing and logistics' relationships will result in improved supply chain performance.
- The Company and GSM-I will create a single, powerful software platform for all its connected products resulting in accelerated performance and greater opportunity to use the data.
- Finally, GSM-I has a flexible business model that can both supply product directly and license its intellectual property via existing arrangements with GSM Electrical, Beacon Lighting and Steel-line. This flexibility will be even more attractive for partners, enabling the Company to expand into new markets and overseas

The combination of the Company and GSM-I creates a leading domestic player in connected lighting with extensive sales channels in place. Its platform is cloud-based to reduce costs and complexity for distributors and end-users. It is Australian-owned and designed meaning it is tailored to the local requirements. Its intellectual property is protected through a series of patents and patents pending. It has the ability to use data to improve the end-user experience, reduce costs, and enhance security. Finally, the licensing model provides a flexible channel to expand into new markets and overseas.

The smart home market in Australia is worth A\$1.8 billion in 2020, and growing at a compound annual rate of 16%<sup>1</sup>. Approximately 25% of homes have some type of smart device which is anticipated will rise to over 49% in 2025. There are approximately 10 million dwellings in Australia<sup>2</sup> with forecast additional dwellings of ~140,000 pa<sup>3</sup>.

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<sup>1</sup> <https://www.statista.com/outlook/279/107/smart-home/australia>

<sup>2</sup> Australian Bureau of Statistics

<sup>3</sup> House Institute of Australia, 2020



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**Quantify Technology CEO, Brett Savill, commented:** “We have been looking for the right partner for some time and could not be more delighted to be working with Simon, Jordan and Gerard Private. Home automation is rapidly maturing meaning it is important to have multiple channels and a broad range of products. Quantify Technology’s acquisition of GSM-I is a real case of one plus one making three.”

**Gerard Private CEO, Simon Gerard, commented.** “When we founded GSM-I three years ago, I knew we needed access to third party capital to achieve our full potential. This Acquisition provides not just capital but broadens the product range at the same time. Electricians and other distributors are clamouring for reliable, cost-effective, Australian smart home automation which is what we deliver. I’m really excited about the future.’

**Consideration for the Acquisition**

The consideration for the Acquisition will be approximately \$4.8 million to be satisfied by the issue to the Vendor of:

- 240,000,000 Shares at issue price of \$0.02 per Share (post consolidation); and
- 110,000,000 Performance Rights.

The Company will issue Performance Rights to Gerard Private Holdings (Finance) Pty Ltd on and subject to the terms and conditions, outlined in Annexure A.

| Tranche      | Vesting Condition   | Performance Rights | Number of Shares to be issued on satisfaction of Vesting Condition |
|--------------|---|--------------------|--|
| 1            | <p>Design and manufacture each of the following glass fronted devices, each of which must be controlled by the GSMI-Zimi cloud platform and be available for sale, within 12 months of Acquisition completing;</p> <ol style="list-style-type: none"> <li>1. Dimmable light switch;</li> <li>2. General purpose outlets (General power outlet or power points); and</li> <li>3. Blind controllers</li> </ol> <p>For the avoidance of doubt,<br/>           'available for sale' means a third party is capable of purchasing.<br/>           'controlled by the GSMI-Zimi cloud platform' means:</p> <ul style="list-style-type: none"> <li>-the devices listed above, successfully collect usage data, which is available and accessible using the GSMI-Zimi cloud platform, and</li> <li>-the devices can be remotely switched on or off using the Zimi App.</li> </ul> | 55,000,000         | 55,000,000   |
| 2            | <p>Sales of 30,000 Zimi-controlled/Powermesh units or \$3,000,000 in Sales Revenue derived from Zimi-controlled /Powermesh units (whichever occurs first) within 12 months of Acquisition completing.</p>   | 55,000,000         | 55,000,000   |
| <b>Total</b> |   | <b>110,000,000</b> | <b>110,000,000</b>   |

Each Vesting Condition is subject to verification and sign off of satisfaction of the relevant Vesting Condition by an independent third party (auditor or equivalent qualified in this field).

The issue of the consideration Shares and Performance Rights to the Vendor is subject to the approval of Company's shareholders in general meeting. The Company's notice of meeting will be accompanied by an independent expert's report giving an opinion as to whether the Vendor's acquisition of the consideration Shares and the terms of Performance Rights are fair and reasonable to the Company's shareholders.

**Conditions precedent to the Acquisition**

Completion of the Acquisition is subject to and conditional upon the satisfaction of various conditions precedent on or before 23 December 2020 (or such latter date as the Company and the Vendor may agree) including:

- Company shareholder approval of the issue of consideration Shares and Performance rights to the Vendor for the purposes of Listing Rules 7.1 and section 611 item 7 of the Corporations Act as applicable and other regulatory approvals if required;
- consolidation of Quantify Technology's share capital on a 25:2 basis (**Consolidation**);
- completion of an approximate \$4 million capital raising by Quantify Technology by the issue of Quantify Technology Shares at \$0.02 per Share after the Consolidation; and
- GSM-I to sign a 3-year Sales and Distribution Contract with GSM Electrical (wholly owned subsidiary of Gerard Private) (**Distribution Contract**);

The Company has been advised by the ASX, that Listing Rule 11.1 does not apply to the Acquisition.

### **Distribution Contract**

Under the proposed Distribution Contract, Gerard Private, through its wholly-owned subsidiary, GSM Electrical (**Distributor**) will be the exclusive distributor into the electrical wholesale market under an agreement whereby it will distribute, promote, stock and sell GSM-I's products into the more than 900 electrical wholesalers across Australia. The proposed terms of the Distribution Contract are:

- initial three-year term; the term may be extended for further periods, each of 12 months' duration, by the agreement of both parties;
- the agreement will apply to distribution in Australia and New Zealand;
- the consideration payable to the Distributor by customers and by the Distributor to GSM-I for the sale of GSM-I's products will be on the basis of an agreed scheduled price per device sold, inclusive of firmware licence; the consideration will be received monthly during the term of Distribution Contract;
- the Distributor must use commercially reasonable endeavours to actively market GSM-I's products, exercise due care and skill and submit annual sales plans; should the Distributor breach these obligations and not remedy the default for 120 days' after notice, GSM-I may terminate exclusivity and continue to engage the Distributor on a non-exclusive basis;
- the Distributor may terminate the agreement with six months' notice, immediately in the event of GSM-I's insolvency or on 30 days' notice for unremedied material breach of agreement; and
- GSM-I may terminate the agreement if the Distributor:
  - becomes insolvent;
  - undergoes a change in control;
  - commits a material breach which is not capable of remedy;
  - commits a material breach and fails to remedy such breach within 30 days of receipt of written notice from GSM-I requiring it to do so;
  - commits any breach three or more times in any six month period; or
  - commits any breach and has failed to remedy such breach within 90 days of receipt of written notice from GSM-I requiring it to do so.

The annual sales plans to be submitted by the Distributor to GSM-I under the Distribution Contract will include minimum sales targets, to be reviewed and agreed with GSM-I.

In a proposed separate agreement, Quantify Technology may elect to use Gerard Private's wholly owned Hong Kong subsidiary, GSM International Ltd, for quality assurance, logistics and other services. These services will be agreed on a case by case basis.

In addition, two Gerard Private staff members will be seconded to work for Quantify Technology for a limited basis.

### **Capital Raising**

In conjunction with, and as a condition to completion of, the Acquisition and subject to Shareholder approval of the Acquisition, Quantify Technology proposes to conduct a capital raising, issuing Shares under a placement to professional and sophisticated investors (**Placement**).

It is proposed that the issue price of Shares under the Capital Raising will be at an issue price of \$0.02 per Share, raising approximately \$4 million in capital (**Capital Raising**), following completion of the Consolidation of Quantify Technology's share capital on a 25:2 basis.

The Company intends to complete the Capital Raising contemporaneously with completion of the Acquisition.

On completion of the Acquisition of GSM-I and the Capital Raising, the Vendor will hold approximately 40% of the total issued shares in Quantify Technology.

PAC Partners Securities Pty Ltd ("**PAC**") is the lead manager in relation to the capital raising. Founded in 2013, PAC has been one of the most active and successful Australian stockbrokers and corporate financiers since that time. PAC will be supported by Westar Capital and Lazarus Corporate Finance Pty Ltd.

On completion of a successful Capital Raising, PAC will be entitled to a capital raising fee of 6% of the total amount of the Capital Raising and, subject to Company shareholder approval, will be entitled to be granted 25,000,000 unlisted options exercisable at \$0.0001 each, expiring 3 years after the grant date. The options will be subject to voluntary escrow restrictions for a period of 2 years from grant. PAC is also entitled to be paid a management fee of \$7,500 per month for a period of 12 months.

### **Consolidation of Capital**

The company will be seeking approval from shareholders for a consolidation of securities on issue on 25:2 basis.

### **Use of Capital Raising Proceeds**

It is anticipated the Company will undertake the Capital Raising to raise capital for the following:

- \$1.170 million – development costs;
- \$2.590 million – general working capital and corporate overheads; and
- \$0.240 million – Acquisition and capital raising costs.

The above budget is a statement of current intentions. As with any budget, changes in market conditions, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied and the directors reserve the right to alter the way funds are applied on this basis.



**ASX Listing Rule Chapter 11 submissions**

The Company has made a submission to the ASX in relation to the application of ASX Listing Rule 11.1.2 and 11.1.3 to the proposed Acquisition.

The ASX has confirmed that based solely on the information provided by Quantify Technology to ASX, that Listing Rules 11.1.2 and 11.1.3 do not apply to the proposed Acquisition.

**Cautionary Statement**

Quantify Technology is optimistic about concluding this transaction, however as at the date of this announcement there cannot be any assurance that the conditions precedent with respect to the transaction will be completed to the satisfaction of each party. Accordingly, investors are cautioned against making investment decisions based on this announcement.

**Indicative Timetable**

An indicative timetable for the proposed Acquisition is set out below.

| <b>Event</b>  | <b>Date</b>          |
|---|----------------------|
| Announcement of Acquisition   | 30 September 2020    |
| Notice of Annual General Meeting and IER released to ASX              | 23 – 29 October 2020 |
| Notice of Annual General Meeting sent to Shareholders                 | 26 – 30 October 2020 |
| Annual General Meeting to approve Acquisition and Consolidation       | 30 November 2020     |
| Effective date for Consolidation                                      | 30 November 2020     |
| Prospectus for Placement lodged with ASIC and ASX                     | 30 November 2020     |
| Last day of trading on ASX in pre-Consolidation shares                | 1 December 2020      |
| Record date for Consolidation   | 3 December 2020      |
| Completion of Capital Raising and issue of shares under the Placement | 4 December 2020      |
| Completion of Acquisition and issue securities to Vendor              | 4 December 2020      |

The dates in the timetable are indicative and subject to possible change without notice. The Company will announce any change of timetable in accordance with the requirements of the Listing Rules.

**Indicative Capital Structure**

|  |                    |
|--|--------------------|
| <b>1. Shares</b>   |                    |
| Current on issue   | 2,008,549,744      |
| <b>Existing (after 25:2 Consolidation)</b>   | <b>160,683,979</b> |
| Proposed issue of Shares to Vendors at Completion (Share Consideration)                      | 240,000,000        |
| Proposed Capital Raising @ \$0.02 per Share to raise \$4,000,000                             | 200,000,000        |
| <b>Proposed maximum total Quantify Technology Shares on issue at Completion</b>              | <b>600,683,979</b> |
| <b>2. Options</b>  |                    |
| Current on issue:  |                    |
| 545,247,679 (Note 1)   | 995,759,030        |
| 450,511,351 (Note 2)   |                    |
| <b>Existing (after 25:2 Consolidation)</b>   | <b>79,660,722</b>  |
| <b>Proposed total Options at Completion</b>  | <b>79,660,722</b>  |
| <b>3. Performance Rights and Performance Shares</b>  |                    |
| Current on issue:  |                    |
| 200,000,000 performance shares (Note 3)  | 218,000,000        |
| 18,000,000 performance rights  |                    |
| <b>Existing (after 25:2 Consolidation)</b>   | <b>12,640,000</b>  |
| Proposed issue of Performance Rights to Vendors at Completion (Share Consideration) (Note 4) | 110,000,000        |
| <b>Proposed total Performance Rights and Performance Shares at Completion</b>                | <b>122,640,000</b> |

Notes:

1. Quoted (QFYOB)
2. Quoted (QFYOC)
3. 120m performance shares liable for forfeiture, 60m to be cancelled on completion of the Acquisition, and 20m to be converted having satisfied vesting conditions
4. Terms of new Performance Rights set out below at Annexure A



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cont.

This release is authorised by the Board.

-ENDS-

**Further Information:**

Investor Relations & Media Enquiries

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**About Quantify Technology**

Quantify Technology is an Australian company focused on making lives better in homes, workplaces, and communities with their Internet of Things (IoT) smart home technology. Their devices replace standard power outlets and light switches and can be controlled by voice, app and touch.

**Annexure A – Terms and Conditions of Performance Rights****1. Grant**

- (a) The Company will offer performance rights (**Performance Rights**) to Gerard Private Holdings (Finance) Pty Ltd on and subject to these terms and conditions.
- (b) The grant of any Performance Rights is subject to the approval of Company's shareholders in general meeting.

**2. Classes of Performance Rights**

The following classes of Performance Rights will be granted by the Company on and subject to these terms:

- (a) Tranche 1 Performance Rights; and
- (b) Tranche 2 Performance Rights.

**3. Entitlement**

- (a) Subject to this paragraph 3 and any applicable requirements of the ASX listing rules, each vested Performance Right entitles the holder of that Performance Right (**Holder**) to be issued with one fully paid ordinary share in the Company (**Share**), (**Entitlement**) as follows:

| Tranche      | Vesting Condition  | Performance Rights | Number of Shares to be issued on satisfaction of Vesting Condition |
|--------------|--|--------------------|--|
| 1            | <p>Design and manufacture each of the following glass fronted devices, each of which must be controlled by the GSMI-Zimi cloud platform and be available for sale, within 12 months of Acquisition completing;</p> <ol style="list-style-type: none"> <li>1. Dimmable light switch;</li> <li>2. General purpose outlets (General power outlet or power points); and</li> <li>3. Blind controllers</li> </ol> <p>For the avoidance of doubt, 'available for sale' means a third party is capable of purchasing.</p> <p>'controlled by the GSMI-Zimi cloud platform' means:</p> <ul style="list-style-type: none"> <li>-the devices listed above, successfully collect usage data, which is available and accessible using the GSMI-Zimi cloud platform, and</li> <li>-the devices can be remotely switched on or off using the Zimi App.</li> </ul> | 55,000,000         | 55,000,000   |
| 2            | <p>Sales of 30,000 Zimi-controlled/Powermesh units or \$3,000,000 in Sales Revenue derived from Zimi-controlled /Powermesh units (whichever occurs first) within 12 months of Acquisition completing.</p>  | 55,000,000         | 55,000,000   |
| <b>Total</b> |  | <b>110,000,000</b> | <b>110,000,000</b>   |

Each Vesting Condition is subject to verification and sign off of satisfaction of the relevant Vesting Condition by an independent third party (auditor or equivalent qualified in this field).

- (b) In these terms:
- (i) **Acquisition** means the sale and transfer of all shares in GSM-I to the Company;
  - (ii) **GSM-I** means GSM Innovations Pty Ltd; and
  - (iii) **Sales Revenue** means revenue derived from the sale of devices, to be recognised at a point in time when control of the product is transferred to the customer, and earned from configuration services, to be recognised over time as the services are rendered. Sales Revenue does not include revenue derived from: (1) one-off or extraordinary items; (2) government grants, allowances, rebates or hand-outs; or (3) sales of units at “below-cost”.
- (c) The Company’s obligations to the Holder in relation to a Performance Right are discharged and satisfied in full upon issuing the Entitlement for that class of Performance Rights.

#### 4. Vesting

- (a) Subject to paragraph 14, and verification and sign off of satisfaction of a Vesting Condition by an independent third party (auditor or equivalent qualified in the field), a Performance Right automatically vests in the Holder upon satisfaction or achievement of the conditions stated in the table in paragraph 3(a) (each a **Vesting Condition**) following which the Holder may elect to receive the Holder’s Entitlement.
- (b) If a Vesting Condition for a class of Performance Rights is not achieved, that class of Performance Rights will not vest, subject to these terms.
- (c) Satisfaction of the Vesting Conditions is to be determined in relation to each class of Performance Rights.

#### 5. Expiry and forfeiture

Each Performance Right that has not vested will automatically lapse and will be cancelled if at midnight on the last day by which the Vesting Condition for that class of Performance Rights must be achieved is not achieved.

**6. Transfer and encumbrances**

- (a) A Performance Right is not transferrable.
- (b) A Holder must not grant or permit any security interest or other encumbrances over a Performance Right.

**7. Quotation of Performance Rights**

The Company will not apply for quotation on ASX of any class of Performance Right.

**8. Quotation of Shares**

If the Entitlement is issued for a class of Performance Rights and the Company is admitted to ASX, the Company will apply to ASX for official quotation of those Shares.

**9. New issues**

A Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless the Holder's Performance Rights (or any of them) have vested and the Entitlement has been issued before the record date for determining entitlements to the new issue of Securities and participate as a result of holding Shares.

**10. Participation in entitlements and bonus issues**

A Performance Right does not entitle a Holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to Shareholders, such as a bonus issue or an entitlement issue.

**11. Reorganisation**

- (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Holder in relation to each class of Performance Rights held by the Holder will be changed to the extent necessary to comply with the ASX listing rules applying to a reorganisation of capital at the time of the reorganisation.
- (b) Any calculations or adjustments which are required to be made in relation to paragraph 11(a) will be made by the Company's Board of Directors and will, in the

absence of manifest error, be final and conclusive and binding on the Company and the Holder.

- (c) The Company must, within a reasonable period of a reorganisation paragraph 11(a) occurring, give to the Holder notice of any change to the number of Shares which the Holder is entitled to receive under the Entitlement for a class of Performance Rights.

## 12. Issue of Entitlement

Subject to the Company's Constitution, all Shares issued in relation to the Entitlement for a class of Performance Rights will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.

## 13. Vesting on change of control

In the event that:

- (a) a takeover bid under Chapter 6 of the Corporations Act is made in respect of the Company under which acceptances have been received for more than 50% of the Company's shares on issue and the bid is declared unconditional by the bidder; or
- (b) a Court grants orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies (including under Part 5.1 of the Corporations Act,

prior to the Performance Hurdles being achieved for one or more classes of Performance Rights (**Unvested Rights**) being achieved, then all of the Unvested Rights on issue will vest.

## 14. Deferral of vesting

If the vesting of any class of Performance Rights (or any part thereof) would result in any person being in contravention of section 606(1) of the Corporations Act (**Takeover Restriction**) then:

- (a) The vesting of those Performance Rights (or any part thereof) will be deferred until such later time or times that the vesting would not result in a contravention of the Takeover Restriction.



- (b) A Holder may give written notification to the Company if they consider that the vesting of those Performance Rights (or any part thereof) may result in the contravention of the Takeover Restriction, failing which the Company may assume the vesting of those Performance Rights will not result in any person being in contravention of the Takeover Restriction.
- (c) The Company may (but is not obliged to) by written notice to a Holder, request a Holder to provide the written notice referred to in paragraph 14(b) within 7 days if the Company considers that the vesting of those Performance Rights (or any part thereof) may result in a contravention of the Takeover Restriction. If the Holder does not give notification to the Company within 7 days that they consider the vesting of the Performance Rights (or part thereof) may result in the contravention of the Takeover Restriction, then the Company may assume that the vesting of the Performance Rights (or part thereof) will not result in any person being in contravention of the Takeover Restriction.

**15. Amendments required by ASX**

These terms may be amended as necessary by the Company's Board of Directors in order to comply with the ASX listing rules (if applicable), or any directions of ASX (if applicable) regarding the terms, provided that, subject to compliance with the ASX listing rules, the economic and other rights of the Holder are not diminished or terminated following such amendment.

**16. Governing law**

These terms and the rights and obligations of the Holder are governed by the laws of Western Australia. The Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia in this respect.