

22 January 2020

## **DRAGONTAIL SIGNS TERM SHEET FOR A\$20M IN NEW FUNDING CORNERSTONED BY STRATEGIC US INVESTOR**

### **Highlights**

- Dragontail has entered into a non-binding term sheet ("Term Sheet") to raise A\$20m by way of issue of convertible preference shares in Dragontail, cornerstoned by a strategically important USA-based investor, Eldridge Industries ("Eldridge").
- Eldridge, a holding company based in Greenwich, CT, intends to lead the round with an investment of A\$10.5m, and it is anticipated that this will also serve as a catalyst and facilitator for Dragontail's entry into the USA given Eldridge's experience in the F&B sector.
- A further investment of A\$5.5m is intended to be provided by Goudy Park Capital LP, an investment advisory firm based in Chicago with very strong USA based F&B connections, and the balance of \$A4m by Alceon Liquid Strategies Pty Ltd ("Alceon"), the Company's largest Australia-based shareholder.
- The issue price of the preference shares is \$0.1406, which represents a 26% premium to the 30-day volume weighted average price (as at 20 January 2020).
- The funding will support the planned major expansion into the USA, including sales and marketing support, as well as supporting the ongoing growth in other markets. It will also enable the Company to repay its existing A\$4.3m corporate loan with Alceon.
- This fundraising round will be Dragontail's largest since inception and will enable it to expand its operations globally and build on the strong success and results achieved during 2019.
- The funding is subject to certain conditions, including finalization of confirmatory due diligence and negotiation of definitive legal agreements, as well as necessary shareholder approvals.

22 January 2020 (Australia): Dragontail Systems Limited (ASX: DTS, the "Company" or "Dragontail") has entered into a non-binding term sheet with Eldridge Industries ("Eldridge"), Goudy Park Capital LP ("Goudy"), and Alceon Liquid Strategies Pty Ltd ("Alceon") ("Term Sheet") to raise A\$20m via the issue of convertible preference shares ("Preference Shares").

The key terms of the Term Sheet are summarized in the Annexure.

The funds raised from the issue of Preference Shares will enable Dragontail to accelerate its entry into the US and other global territories, and to explore significant business opportunities that are expected to drive customer growth and the deployment of the Company's flagship products – the Algo Dispatch Platform and the QT quality control camera system. The funds will also enable the required growth in operations teams to support the new projects currently in the Company's pipeline, as well as additional investment into Artificial Intelligence R&D. The Company also intends to apply part of the funds to repay in full its existing \$4.3m corporate loan with Alceon.

The Company intends to channel the funds and potential of the supporting investors to penetrate new markets and develop new avenues for the Company's development. The funds will enable the Company, for the first time, to build a dedicated Sales and Marketing department. To date, all new customers have come from inbound enquiry resulting from positive word-of-mouth and the inherent strength of the Company's proprietary technology. This will allow the Company to pursue its significant existing pipeline of opportunities, as well as provide the necessary resources to capitalize on the opportunity presented by both the Total Technology product and food delivery aggregators. To ensure the Company has sufficient liquidity while the parties work towards satisfying the conditions to the issue of Preference Shares, it is proposed that Eldridge will provide a short-term bridge loan in the amount of USD \$2 million. The Company and Eldridge are in the process of finalizing the terms of such bridge loan with a view to funding being made available to the Company in the coming weeks.

The Company looks forward to the proposed engagement with the two new US-based investors, who can bring significant strategic benefits to the Company.

Eldridge, a holding company headquartered in Greenwich, Connecticut, has a track record of building and growing diversified businesses with a focus on Credit and Credit/Real Estate Hybrid; Insurance and Insurance Tech; Real Estate; Sports and Media; Convenient Food; and Technology. Eldridge's investment expertise, specifically in Convenient Food and Technology, makes them a strategically important partner in a market that is targeted as a future growth engine.

A further \$5.5m will be provided by Goudy Park, a USA based concentrated global micro-cap fund with very strong USA-based F&B connections.

Mr. Ido Levanon, Dragontail's Managing Director, added: " Dragontail was presented with several funding and key strategic opportunities in the last 6 months and due to the strong potential in the USA, the proposed fundraising was selected. It gives the Company the strong financial resources it needs to achieve its significant growth ambitions." Undoubtedly, the USA market holds great potential for Dragontail, and we are confident that the strategic partners in this fundraising will help us achieve this goal. On the current timetable, legal documents for the Preference Shares are expected to be executed in February 2020, with a shareholder vote to be held in March and the Company receiving the proceeds shortly thereafter".

The Company will keep shareholders informed of material developments. Should definitive legal agreements be executed, shareholders will be provided with additional information about the proposed issue of Preference Shares and the proposed investors in connection with the shareholder approval process.

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**For further information please contact:**

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### **About Dragontail Systems**

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

The Algo Platform 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 patented advanced AI machine-learning technology, the system keeps improving its diagnostics, becoming even more efficient.

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

This ASX Announcement was approved and authorised by Dragontail's Board of Directors.

### **About Eldridge Industries**

Eldridge Industries grows diversified businesses with a focus on Credit and Credit/Real Estate-Hybrid, Insurance and Insurance Tech, Real Estate, Sports and Media, Convenient Food, and Technology. In particular, the firm seeks to build and grow businesses led by proven management teams that have demonstrated leadership and experience to scale an enterprise. Eldridge is headquartered in Greenwich, Connecticut, with additional offices in Beverly Hills, New York, and London. To learn more about Eldridge please visit [www.eldridge.com](http://www.eldridge.com).

## ANNEXURE

The key terms of the Term Sheet are as follows:

- the funding will be led by Eldridge investing A\$10.5m, with Goudy investing \$A5.5m, and Alceon investing \$A4m;
- Dragontail will issue Preference Shares to Eldridge, Goudy and Alceon at an issue price of A\$0.1406;
- for the period of 5 years following their issuance, the Preference Shares will carry the right to receive cumulative dividends in preference to the Company's ordinary shares at the annual rate of 8% of the issue price (without having a cash servicing obligations) plus all accrued and unpaid dividends;
- the Preference Shares will also carry the right to participate pro rata in any dividends paid on the Company's ordinary shares on an as-converted basis;
- the Preference Shares will rank ahead of the Company's ordinary shares in any liquidation or winding up;
- the Preference Shares will be permitted to vote to the fullest extent permitted by applicable law and the ASX Listing Rules;
- the Preference Shares will be convertible at any time, with an initial conversion ratio of 1 Preference Share to 1 Dragontail ordinary share (subject to customary adjustment events);
- Eldridge will be entitled to appoint 2/5<sup>ths</sup> of the Dragontail Board for so long as it (together with its permitted transferees) holds 100% of the Preference Shares initially issued to Eldridge (or its affiliate), and will be entitled to appoint 1/5<sup>th</sup> of the Dragontail Board for long as it (together with its permitted transferees) holds at least 50%, but less than 100%, of the Preference Shares initially issued to Eldridge (or its affiliate); and
- holders of Preference Shares will have certain other rights and entitlements, including a right of first refusal to participate in any issue of equity securities by the Company on a pro rata basis as well as consent rights in respect of certain corporation actions by the Company.

The issue of Preference Shares is subject to certain conditions, including finalization of confirmatory due diligence by Eldridge, Goudy and Alceon and the negotiation of definitive legal agreements, as well as necessary approvals from Dragontail shareholders. To enable these conditions to be progressed, Dragontail has agreed to deal exclusively with Eldridge, Goudy and Alceon in relation to such a financing transaction for a 75 day period.