

20 May 2019

Company Announcements
ASX Limited
Level 6, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ASX ANNOUNCEMENT – TAKEOVER BID

Aurora Dividend Income Trust announces off-market all scrip takeover bid for Yowie Group Ltd (ASX:YOW)

Takeover overview

- Aurora Dividend Income Trust (ARSN 151 947 732) (**ADIT** or **Fund**) intends to make an all scrip takeover bid (**Bid**) for 100% of the fully paid ordinary shares in Yowie Group Ltd (**YOW**). The consideration will be fully paid units in ADIT having a value at the close of the Bid of 9 cents per YOW share¹;
- The Bid represents a 16.8% premium to YOW's most recent closing price of 7.7 cents;
- The Bid consideration will be paid with ADIT units, an unlisted managed investment scheme; and
- The Bid provides accepting YOW shareholders with the ability to redeem their ADIT units off-market for cash at NTA, pursuant to ADIT's Constitution.

Takeover Bid for YOW shares

Aurora Funds Management Limited (**Aurora**), as responsible entity of ADIT, is pleased to announce ADIT's intention to make an off-market scrip takeover bid (**Bid**) for all of the shares in YOW. Each YOW shareholder who accepts the Bid will receive ADIT units having a value at the close of the Bid of 9 cents per YOW share.

The Bid consideration represents a 16.9% premium to YOW's most recent closing price of 7.7 cents, 18.4% premium above the 30-day volume weighted average price (**VWAP**) and 8.5% above the 60-day VWAP, of YOW shares ended on 17 May 2019.

The proposed Bid is subject to a range of defeating conditions which are summarised in the schedule attached to this announcement.

For some time, Aurora has held significant concerns regarding the financial performance, leadership and corporate governance of YOW. As previously advised², Aurora was dismayed to learn last year that the Company was entertaining a 'whitewash' transaction as a means of generating shareholder value. The 'whitewash' transaction would have involved all YOW shareholders receiving a combination of cash (by way of a capital return from their own reserves) and securities from another (in this case, an underperforming and financially stressed) listed company. This had the potential for Yowie shareholders to receive little or no

¹ The value of the ADIT units issued will be calculated on the basis of the applicable NTA of ADIT at the close of the Bid

² In the Notice of Meeting dated 27 August 2018, release on the ASX on 29 August 2018

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value for the underlying Yowie business, which in Aurora's view, still holds material inherent value.

The latest quarterly report released by YOW on 30 April 2019, for the quarter ended 31 March 2019, clearly demonstrated that YOW management are no closer to turning around the business, with deteriorating sales performance and a net cash outflow of US\$1.787 million.

The directors of Aurora believe that decisive action is required to address the issues within the YOW business.

The current Chairman, Mr Louis Carroll, was appointed to the role of YOW Chairman on 19 September 2017. In its quarterly cash flow statement for the quarter ended 30 September 2017, YOW disclosed receipts from customers of US\$5.019 million, which compare with US\$2.369 million at 31 March 2019 (representing a 52.8% reduction in 1.5 years), and cash reserves of \$25.163 million, which now compares with US\$16.982 million (representing a decline of US\$8.181 which equates to approximately A\$11.36 million³, or circa A\$630,000 per month). This performance is simply not sustainable.

On 17 May 2019, YOW appointed a new director to the YOW Board who has no discernible experience in the YOW business nor a substantial shareholding. Aurora is both surprised and alarmed by this appointment.

YOW shareholders who accept the Bid will receive ADIT units which can be held or redeemed off-market for the then applicable NTA of ADIT.

The Bid and ADIT's obligation to make the Bid is subject to a range of conditions which are set out in the Annexure attached to this announcement.

Investors in both ADIT and YOW do not need to take any action in relation to the Bid at the present time. The indicative timetable in relation to the Bid is set out below:

Key Event	Date
Lodgement of ADIT's Bidder's Statement with ASIC, ASX and YOW	Late June 2019
Dispatch of Bidder's Statement	Early July 2019
ADIT's Bid opens	Mid July 2019
ADIT's Bid closes (unless extended)	Mid August 2019

YOW shareholders

The Bid potentially provides YOW shareholders with a value accretive exit strategy, and the option to become unitholders in a fund that allows its unitholders to redeem their investment at a price equal to the net tangible asset value of that fund via an off-market redemption process.

ADIT unitholders

The Bid will strengthen ADIT's asset base and Aurora considers the Bid price will provide ADIT with the potential for future capital growth. The increased asset base will provide an improved ability to grow the investment portfolio returns after costs on a measured and sustainable basis leading to enhanced distributions growth without significant increased risk.

By virtue of the benefits of economies of scale, the enlarged entity also has the capacity to reduce the management expense ratios currently charged to ADIT unitholders on an enduring basis as the costs will be spread over a larger unitholder base. It is also reasonable to anticipate the potential for operating synergies over the medium term including in relation to administration and overhead expenses.

Further information

³ Using a US\$:A\$ exchange rate of 0.72

If you have any queries in relation to the Bid, please contact Aurora on 1300 553 431.

Yours faithfully



Adrian Tilley
Company Secretary | Aurora Funds Management Limited

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Schedule

Proposed defeating conditions

(a) **30% minimum acceptance**

Under the Bid, Aurora as responsible entity of ADIT receives acceptances so that Aurora has a relevant interest in at least 42% of the total issued YOW Shares

Based on Aurora's latest Form 604, Aurora holds a relevant interest of 12.24% in YOW.

(b) **No prescribed occurrences between Announcement Date and service of bidder's statement**

During the period starting on the Announcement Date and ending at the end of the day before Aurora's Bidder's Statement is given to YOW, none of the occurrences listed below happens:

- (1) YOW declares, or distributes any dividend, bonus or other share of its profits or assets except for a dividend by a wholly-owned subsidiary of YOW;
- (2) YOW alters the rights attached to any of its shares or other securities or proposes to do so;
- (3) YOW makes any change to its constitution or passes any special resolution or proposes to do so;
- (4) YOW gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business;
- (5) YOW converts all or any of its shares into a larger or smaller number of shares;
- (6) YOW or a subsidiary of YOW resolves to reduce its share capital in any way;
- (7) YOW or a subsidiary of YOW:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (8) YOW or a subsidiary of YOW issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (9) YOW or a subsidiary of YOW issues, or agrees to issue, convertible notes;
- (10) YOW or a subsidiary of YOW disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (11) YOW or a subsidiary of YOW charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (12) YOW or a subsidiary of YOW resolves to be wound up;

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- (13) the appointment of a liquidator or provisional liquidator of YOW or of a subsidiary of YOW;
 - (14) a court makes an order for the winding up of YOW or of a subsidiary of YOW;
 - (15) an administrator of YOW, or of a subsidiary of YOW, is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (16) YOW or a subsidiary of YOW executes a deed of company arrangement; or
 - (17) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of YOW or of a subsidiary of YOW.

(c) **No prescribed occurrences between service of bidder's statement and end of Offer Period**

During the period starting on the day before Aurora's Bidder's Statement is given to YOW and ending at the end of the Offer Period, none of the occurrences listed in paragraph (b) above happens.

(d) **No material transactions**

Except for any proposed transaction reasonably full details of which are publicly announced by YOW before the Announcement Date, none of the following events occurs during the period starting on the Announcement Date and ending at the end of the Offer Period without the written consent of Aurora:

- (1) YOW, or any subsidiary of YOW, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than A\$0.5 million or an amount in aggregate in any series of transactions of more than A\$0.5 million, or makes an announcement about such an acquisition or acquisitions;
- (2) YOW, or any subsidiary of YOW, enters into, offers to enter into or announces that it proposes to enter into any joint venture, partnership or dual listed company structure involving a commitment of greater than A\$0.5 million in any single transaction or an amount in aggregate in any series of transactions of more than A\$0.5 million, or makes an announcement about such a commitment; or
- (3) YOW, or any subsidiary of YOW, incurs or commits to, or grants to another person a right the exercise of which would involve YOW or any subsidiary of YOW incurring or committing to any capital expenditure or liability for one or more related items of greater than A\$0.5 million, or makes an announcement about such a commitment.

(e) **No material adverse change**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no change occurs, is discovered (including where Aurora becomes aware that information publicly filed is, or is likely to be, incomplete, incorrect or untrue or misleading) or becomes public which has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of YOW.

(f) **No material failings in filings**

Aurora does not become aware, during the period starting on the Announcement Date and ending at the end of the Offer Period, that:

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- (1) any document filed by or on behalf of YOW with ASX, ASIC or any other regulator contains a statement which is incorrect or misleading in any material particular or from which there is a material omission; or
 - (2) there has been an omission by YOW to give any material information to ASX, ASIC or any other regulator required by the ASX Listing Rules, the Corporations Act or any other applicable law.

(g) **No persons exercising rights under certain agreements or instruments**

Before the end of the Offer Period, there is no person exercising or purporting to exercise or stating an intention to exercise any rights under any provision of any agreement or other instrument to which YOW is a party or by or to which YOW or any of its assets may be bound or be subject, which results, or could result, to an extent to which is material in the context of YOW taken as a whole, in:

- (1) any money borrowed by YOW being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of YOW in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
- (4) the business of YOW with any other person being adversely affected.

(h) **Conduct of YOW's business**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of YOW nor any body corporate which is or becomes a subsidiary of YOW, without the written consent of Aurora:

- (1) declares, or distributes any dividend, bonus or other share of its profits or assets except for a dividend by a wholly-owned subsidiary of YOW;
- (2) alters the rights attached to any of its shares or other securities or proposes to do so;
- (3) makes any change to its constitution or passes any special resolution or proposes to do so;
- (4) gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business;
- (5) increases the aggregate limit of YOW and its subsidiaries' bank facility limit, or draws down on that facility or otherwise borrows other than in the ordinary course of the business of YOW and its subsidiaries taken as a whole;
- (6) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (7) appoints any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (8) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, enters or agrees

to enter into any contract for service or varies or agrees to vary any existing contract for service with any consultant or contractor or other person for the provision of the services of a director or manager or the provision of services the same as or substantially similar to those provided (or that otherwise would be provided) by a director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee or consultant or contractor, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant or contractor (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);

- (9) conducts its business otherwise than in the ordinary course; or
- (10) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to an investigation under the Australian Securities and Investments Commission Act 2001 (Cth) or any corresponding legislation involving a contravention of the Corporations Act by YOW or a subsidiary of YOW.

(i) **No break/inducement fees**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of YOW and any body corporate which is or becomes a subsidiary of YOW, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

- (1) a takeover bid for YOW or any body corporate which is or becomes a subsidiary of YOW; or
- (2) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, YOW or any body corporate which is or becomes a subsidiary of YOW, or to operate YOW as a single economic entity with another body corporate;

except for a payment, benefit or agreement:

- (3) for providing professional advisory services to YOW;
- (4) which is approved in writing by Aurora;
- (5) which is approved by a resolution passed at a general meeting of YOW; or
- (6) which is made to, provided to, owed by or made with Aurora.

(j) **No force majeure event**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no act of war (whether declared or not) or terrorism, mobilisation of armed forces, civil commotion or labour disturbance, fire or natural disaster, or other event beyond the control of YOW or the relevant subsidiary occurs which has an adverse effect or is likely to have an adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of YOW and its subsidiaries taken as a whole.

(k) **Non-existence of certain rights**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person has any right (whether subject to conditions or not) as a result of Aurora acquiring YOW shares:

- (1) to acquire, or require YOW or a subsidiary of YOW to dispose of, or offer to dispose of, any material asset of YOW or a subsidiary of YOW; or
- (2) to terminate or vary any material agreement with YOW or a subsidiary of YOW.

(l) **No superior alternative proposal**

No alternative proposal to Aurora's takeover bid is announced during the Offer Period that:

- (1) is recommended by any YOW director; or
- (2) offers consideration that is equal or higher than the consideration offered under the bid valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids.

(m) **Restriction on others acquiring shares in YOW**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person other than Aurora or an associate of Aurora (as defined in section 12(2) of the Corporations Act) gains 10% or more of the voting power in YOW.

(n) **Market movement (10% fall)**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- 1) The All Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date; or
- 2) The S&P/ASX 200 Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date;

for a duration of longer than 3 consecutive ASX trading days.

(o) **Minimum Cash Balance**

During the period starting on the Announcement Date and ending at the end of the Offer Period, YOW's cash balance falls below US\$15 million.

(p) **No material litigation**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) none of YOW and any body corporate which is or becomes a subsidiary of YOW has threatened or commenced against it any material claims or proceedings in any court or tribunal (and a claim or proceeding is taken to be material if it may reasonably result in a judgment of A\$100,000 or more), other than that which has been fully and fairly publicly disclosed to ASX prior to the Announcement Date;
- (2) the consideration under the Bid is required to be increased or Aurora or an associate of Aurora is required or reasonably likely to be required to pay any

amount to any one or more YOW shareholders in connection with the Bid as a result of:

- (A) any litigation that is commenced, is threatened to be commenced, announced or is made known to YOW (whether or not becoming public); or
- (B) any preliminary or final decision or order of any regulator or other government agency, other than as a result of Aurora publicly undertaking to increase the consideration under the Bid or Aurora lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Bid; or

the aggregate liability of YOW and any body corporate which is a subsidiary of YOW under or in connection with any existing claim or proceeding in any court or tribunal is or is likely to be materially more than the provision made for the claim or proceeding in YOW's last audited annual financial statements or, if no provision has been made, is or likely to be more than A\$100,000.

Further information regarding the Bid and the conditions will be provided to YOW shareholders in Aurora's Bidder's Statement.