

Shoply Ltd - ASX: SHP

2 March 2016

ASX and Media Release

Shoply to merge with Anyware Corporation and Harris Technology

Highlights

- Shoply has entered into a Heads of Agreement for a proposed merger with Anyware Group comprising Anyware Corporation Pty Ltd and Harris Technology Pty Ltd
- Anyware is a leading online distributor of IT accessories and business technology products in Australia that owns long-established e-commerce business Harris Technology
- Anyware to take 19.99% stake in Shoply via an immediate placement to raise \$1M at substantial price premium
- Managing Director and CEO of Anyware/Harris Technology to join the Shoply Board
- Merger is highly complementary to Shoply's position in the e-commerce business technology sector
- Shoply to benefit from economies of scale advantages and complementary growth opportunities

Shoply Limited (ASX:SHP) (**Shoply** or the **Company**) is pleased to announce it has entered into a Heads of Agreement for a proposed merger with the Anyware / Harris Technology Group, which comprises Anyware Corporation Pty Ltd ACN 096 717 056 (**Anyware**) and its wholly-owned subsidiary Harris Technology Pty Ltd ACN 163 259 783, to be effected through the acquisition by Shoply of 100% of the issued capital of Anyware (the **Proposed Merger**).

Anyware was co-founded by Mr Garrison Huang (Managing Director) in 1997, and is the parent company of the Anyware / Harris Technology Group, which operates the Anyware distribution business (through www.anyware.com.au) and the Harris Technology business (through www.ht.com.au). Anyware acquired the Harris Technology business from Officeworks in 2014.

The Anyware / Harris Technology Group has grown rapidly since its inception and now is a major vendor and distributor of technology products to retailers and end users. The Group sources its products from major vendors, including manufacturers in mainland China. The Group operates from its headquarters in South Dandenong, Victoria, and is supported by offices and warehouses in Sydney, Perth, Adelaide and Brisbane.

The Anyware / Harris Technology Group is expected to deliver pro forma financial year 2016 revenue and EBITDA of \$50 million and \$2 million respectively.

For personal use only

The Proposed Merger is a natural and synergistic fit for Shoply, and represents a strategic expansion of Shoply's existing e-commerce business. The Proposed Merger will enhance the scale of Shoply's distribution platform for its main product category of business technology equipment, and generally strengthen its competitive position in the online retail industry. The Proposed Merger will allow Shoply to benefit from economies of scale advantages and create additional, complementary growth opportunities for its business.

Placement to raise \$1 million

Shoply is pleased to advise that in conjunction with the Proposed Merger, the Company has raised \$1 million through the placement of new shares in Shoply to an entity associated with Mr Garrison Huang, Managing Director that is the major shareholder of Anyware (**Placement**).

Under the Placement, which was conducted within Shoply's existing placement capacity under Listing Rules 7.1 and 7.1A, the Company will issue 139,909,396 new shares, which upon issue will represent 19.99% of the issued share capital of Shoply. The Placement shares will be issued at \$0.007147 per share, which represents a significant premium to Shoply's last traded share price of \$0.003.

The new Placement shares are expected to be issued on or around Friday 4 March 2016, and commence trading on ASX on the same day. The new shares will rank equally with all existing shares on issue from the date of allotment.

Appointment and resignation of Directors

Shoply is pleased to announce the appointment of Mr Garrison Huang as Non-Executive Director of the Company, effective from completion of the Placement. Under the agreed terms of the Placement, the subscriber to the Placement (being an entity associated with Mr Huang) is entitled to nominate another director to the Board of Shoply, in addition to Mr Huang's appointment. It is expected that this appointment will be confirmed following completion of the Placement.

Mr Huang, through an associated entity, is the majority shareholder of Anyware, and has been the Managing Director of Anyware since 1997. In 2014, subsequent to the Anyware's acquisition of the Harris Technology business from Officeworks, Mr Huang was appointed Managing Director and CEO of Harris Technology. Prior to his roles at Anyware and Harris Technology, Mr Huang worked for Hewlett Packard Australia as an R&D engineer.

Mr Huang holds a Bachelor Degree in Engineering from Zhejiang University, China; a Graduate Diploma in Computer System Engineering from Swinburne University; and a Graduate Certificate in Marketing from the University of Melbourne.

Shoply also advises that Mr Lorenzo Coppa and Mr Matthew Dickinson have resigned as Non-Executive Directors of the Company, effective 1 March 2016.

The Board takes this opportunity to thank Mr Coppa and Mr Dickinson for their contribution to Shoply, and wishes them well in their future endeavours.

For personal use only

Terms of Heads of Agreement and Proposed Merger

Pursuant to the Heads of Agreement between Shoply and the vendors of the Anyware / Harris Technology Group (**Vendors**):

- Shoply and the Vendors will shortly commence due diligence investigations, and negotiate the terms of a definitive and legally binding share sale and purchase agreement to give effect to the Proposed Merger. The indicative terms of the Proposed Merger are as follows:
 - Shoply will acquire 100% of the shares on issue in Anyware, giving Shoply full ownership of the Anyware and Harris Technology businesses, in consideration of Shoply issuing 2,403,456,940 new ordinary shares (**Consideration Shares**) to the Vendors (subject to any pre-completion adjustments);
 - It is intended that on completion of the Proposed Merger, the Board of Shoply will be comprised of:
 - 3 directors nominated by the Vendors (including newly appointed Director Garrison Huang and the other nominee of the Placement subscriber); and
 - 2 directors nominated by the existing board of Shoply;
 - The Proposed Merger will be subject to certain closing conditions including Shoply obtaining all required approvals (including without limitation shareholder and regulatory approvals), and the completion of satisfactory due diligence investigations by each party;
- Shoply and the Anyware / Harris Technology Group will ensure that their respective businesses are conducted in the ordinary and usual course of business, with customary restrictions on changes to their respective issued capital;
- The Vendors are subject to standstill obligations, which generally restrict them from acquiring further shares in Shoply (with the exception of the Placement shares) until completion of the Proposed Merger; and
- Shoply and the Vendors have committed to pursuing the Proposed Merger exclusively, subject to certain customary exceptions.

Subject to the outcome of the Company's discussions with ASX about any requirements that ASX may seek to impose as a condition to the Proposed Merger (including the potential requirement under Listing Rule 11.1.3 for Shoply to re-comply with Chapters 1 and 2 of the Listing Rules), the Proposed Merger is expected to complete on or around April/May 2016, after a general meeting of Shoply's shareholders convened for the purpose of obtaining approval of the merger and related resolutions.

If ASX requires Shoply to re-comply with Chapters 1 and 2 as a condition to the Proposed Merger completing, and in the event that Shoply has a reasonable requirement to raise funds for its working capital requirements during the interim period prior to the completion of the Proposed Merger, Directors Mark Gouloupoulos and Domenic Carosa have committed to providing loans of up to \$350,000 in aggregate (on terms that are on arm's length or more favourable to the Company) to facilitate Shoply's working capital requirements.

For personal use only

eStore and Warcom earn-outs

As shareholders are aware, under the terms of Shoply's assets purchase agreements with the vendors of the Warcom and eStore businesses, which Shoply acquired in June 2014 and March 2015 respectively, the vendors are each entitled to receive earn-out consideration shares on a quarterly basis over a 2 year earn-out period, subject to the satisfaction of prescribed revenue and profit margin targets for each business (**Performance Targets**).

The Proposed Merger with the Anyware / Harris Technology Group is expected to deliver scale to Shoply's eStore and Warcom businesses, which similarly operate in the consumer electronics and business technology e-commerce sector. As a result of the expected increase in scale of those businesses following the Proposed Merger, and the potential to extract and leverage synergies between the eStore, Warcom and Anyware/Harris Technology businesses, the prescribed Performance Targets will cease to be aligned with the expected performance of the merged entity.

Given the change in circumstances where the Proposed Merger proceeds, the Board has entered into agreements with the respective vendors of the eStore and Warcom businesses, under which the obligation of Shoply to issue any further earn-out shares to those vendors during the remaining balance of the 2 year earn-out periods will be satisfied in full by way of Shoply issuing to those vendors an agreed number of Shoply shares upon completion of the Proposed Merger.

The issue of such shares will be subject to shareholder approval and the completion of the Proposed Merger; further information will be provided to shareholders in the relevant notice of meeting.

Cancellation of options

In order to provide certainty as to the capital structure of the Company after completion of the Proposed Merger, the Directors and Company Secretary of Shoply, who collectively held 18 million options to acquire shares in Shoply, have consented to the cancellation of all 18 million options for no consideration. As a result of the cancellation, there are no options currently on issue in Shoply.

Commenting on the Proposed Merger, Chairman Andrew Plympton said "We are delighted to have entered into a heads of agreement for the proposed merger of our existing e-commerce businesses with the Anyware and Harris Technology businesses. The merger will represent a unique and exciting opportunity to enhance Shoply's position in the business technology sector of the e-commerce industry, and will enable Shoply to deliver on its key strategic objectives of growth through acquisition.

"Whilst the merger will increase Shoply's existing focus on its IT and business technology division, Shoply remains committed and continues to execute its previously announced restructure strategy to consolidate and enhance its homewares division and Your Home Depot business. These initiatives are well progressed and we look forward to providing further updates to shareholders on this front.

"We are also pleased to have secured a placement to raise \$1 million, at a significant premium to Shoply's prevailing share price. Garrison's significant upfront investment in Shoply demonstrates his endorsement of Shoply and strong support for the merger, the expected benefits which will flow to all of our shareholders. We look forward to welcoming him as a major shareholder and director of Shoply.

"Finally, I take this opportunity to thank Lorenzo and Matthew for their contributions to Shoply during their tenure as directors, and wish them all the best for the future."

-ENDS

For further information, contact:

Alyn Tai

Company Secretary
Shoply Limited
T: +61 3 9286 7502
E: at@ccounsel.com.au

Andrew Plympton

Chairman
Shoply Limited
M: +61 418 310 713
E: andrew@windwardmark.com

About Shoply Limited

Shoply's objective is to be a leading ASX listed online shopping company. Shoply is rapidly executing a dual, organic and acquisitive growth strategy, acquiring or creating positions in attractive retail categories.

<http://www.shoply.com.au>

For personal use only