

# ASX Announcement



10 September 2012

## Presentation slides

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Attached are presentation slides on:

- Hyro Limited's current status and future direction; and
- The proposed investment in Global Group Australia Pty Ltd announced earlier today.

For and on behalf of the Board.

**Gary Cohen**  
Chairman  
Hyro Limited

**Leanne Ralph**  
Company Secretary  
Hyro Limited

# Update on current status and future direction Proposed investment in Global Group Australia



hyro™

10 September 2012

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# 2012 to date

- Sale of digital technology business to KIT digital, Inc. completed in June 2012
  - \$2m cash plus shares in KIT digital (\$14.3 million fair value)
  - 10% in escrow for 12 months for warranty claims
  - Cash used to meet operating and transaction costs and partially repay a loan from PFG
  - Shares in KIT digital subject to top-up mechanism to protect value
  - KIT digital shares continue to be held pending release from obligatory 6 month trading restrictions
- Experienced new board and management in place
- Capital injection of \$1.24 million in July 2012 to meet liabilities (other than PFG) and provide short term cash management
- Net assets per share of \$0.42 at 30 June 2012 prior to capital injection in July and contingencies

# Holding in KIT digital, Inc

- Fair value of holding - \$14.3 million at 30 June 2012 under 6 month escrow
- 10% of transaction value held in escrow for 12 months for warranty claims
- Additional shares required to be issued under a top-up mechanism to protect value if KIT digital share price falls below threshold level measured in December 2012
  - Initially 1.8 million shares issued. Additional 2.6 million shares would be required to be issued if KIT digital's share price remains at \$3.15<sup>1</sup>
  - Results in Hyro holding approximately 7.5% of KIT digital and in top 3 shareholders
- KIT digital recently announced board and management changes in response to performance challenges
- Hyro has met with KIT digital management and key shareholders to discuss its business direction
- Board continuing to evaluate how best to realise and maximise value
- Update to be provided at meeting of shareholders on 11 October 2012

<sup>1</sup> Calculation based on 28.7m shares as defined in the sale agreement and KIT digital share price at 7 September 2012

# Future direction

- The Board intends to continue to invest in information technology businesses
- First proposed investment is into Global Group Australia Pty Ltd
- Other opportunities identified and being pursued
  - Leverage experience of board and management, particularly into health information technology
  - Given opportunities arising from the National PCEHR and NBN we are looking at a potential investment in respect of personal health records
  - Details being refined with industry partners over the coming months
- Change of name to Invigor Group Limited proposed

# Capital management

- The Board intends to present a capital management proposal following the realisation of shares in KIT digital
- Forecast funds available - \$9.0m to \$11.0m
  - Net of forecast transaction and operating costs and any warranty claims
  - Assuming non-participation of shares issued post 30 June 2012
  - Maximum participating shares – 26,323,372
- Maximum forecast capital distribution at 50% - \$4.5m to \$5.5m
- Possible options:
  - Pro-rata capital return to all shareholders; or
  - Off-market buy-back (equal access)
- Actual proposal to be advised after shares in KIT digital are realised

# Proposed investment in Global Group

- Proposal to initially acquire 40% of issued capital of Global Group subject to pre-conditions, including Hyro shareholder approval
- \$1.76 million initial purchase price satisfied by issue of Hyro shares
  - Maximum 4.76 million shares to be issued based on a Hyro share price of 37.0 cps
  - Shares issued to be subject to escrow conditions on trading and unable to participate in any buy-back or capital return funded from KIT digital proceeds for 12 months in respect of first 50% of distribution
- Investment to increase to 58.6% in 3 years after conversion of convertible notes
  - Hyro also to subscribe to \$2.0 million convertible note facility
  - Able to be drawn over 3 year period to fund forecast business growth
- Total commitment of \$3.76m over 3 years
- Hyro to provide management and strategic assistance to Global Group
  - 2 representatives on Global Group Board (including Chair)
  - Shareholders' Deed to govern relationship



# About Global Group

- Business founded in 1999
- Currently profitable and no financial liabilities at completion
- 4 operating businesses in digital technology
  - Global IT
  - Social Loot
  - Global Entries Online
  - Recruitment Advisor (40 per cent owned)
- Key Executives
  - Gary Munitz, Chief Executive Officer and original founder
  - Danny Sekers, Chief Operating Officer
  - Will control the balance of the business not owned by Hyro
  - Will enter into employment arrangements with a 3 year term
  - Both to be appointed to Hyro board upon completion

# Benefits to Hyro of Global Group investment

- First transaction in strategy of building portfolio of investments in information technology businesses
- Established organisation with operating businesses and a platform for growth
- Experienced management team with successful track record
- Attractive sector of digital technology industry
- Significant growth opportunities identified and being implemented
- Injection of experience from Hyro Board and \$2m convertible note facility will enable acceleration of growth
- Social media and digital technology skills within Global Group will be of advantage to other potential investments by Hyro, including healthcare information technology opportunities under consideration

# Global Group financial forecast

## 3 year forecast business revenues and total margins<sup>1</sup>

	Year 1	Year 2	Year 3	Total
	\$m	\$m	\$m	\$m
<b>Revenue</b>				
Global Information Technology	1.5	3.2	5.2	9.9
Global Entries Online <sup>2</sup>	1.1	3.2	3.8	8.1
Recruitment Advisor (100%) <sup>3</sup>	0.2	2.8	8.9	11.9
Social Loot	1.5	8.8	12.5	22.8
<b>Total</b>	<b>4.3</b>	<b>18.0</b>	<b>30.4</b>	<b>52.7</b>
	%	%	%	
Direct gross margin	83.7	86.1	89.1	
EBITDA margin	15.1	26.7	32.6	

<sup>1</sup> Source: Global Group management 3 year financial model

<sup>2</sup> Net of cash receipts collected for events ultimately onpaid to event organisers

<sup>3</sup> Global Group has an equity interest of 40% in Recruitment Advisor

# Next steps

- Shareholder meeting to be held on 11 October 2012
- Completion of Global Group transaction expected on 17 October 2012, if approved
- Details of capital management strategy to be confirmed after KIT digital shares are realised
- Timetables subject to change

# Appendix – Global Group operations

- Global IT
- Social Loot
- Global Entries Online
- Recruitment Advisor
- Websites for additional information

# Global IT

- Established in 1999
- Provides digital services and solutions, including
  - Website and mobile applications development
  - Software solutions
  - Domain management
  - Hosting services
  - Payment and transactions systems
  - CRM and ERP integration
  - Online marketing
- Over 40 staff in Australia and offshore
- Focus on online marketing as primary revenue driver
- Expanding and diversifying offshore development resources
- Provides core services to other Global Group businesses



# Social Loot

- Social media referral marketing exchange allowing businesses to engage with current and potential customers through key social media channels
- Operational on 9 social media platforms
- Launched in 2011
- FY12 – in excess of 1,000 businesses and 40,000 social media ambassadors
- FY12 growth of 40 per cent 1<sup>st</sup> half v 2<sup>nd</sup> half (management estimate)
- Closed loop program developed to allow businesses more efficiently target existing customers
- Developing point-of-sale integration system to connect social media with transaction systems to allow campaigns to be implemented in real time
- Worldwide patent pending which will allow roll out in selected countries



# Global Entries Online

- Online sporting event management system
- Launched in 2010
- Facilitates management and co-ordination of sporting events, additional event requirements and memberships of teams and associations
- Leading provider to the equestrian industry in Australia
  - Over 450 events and 23,000 registrations in 2011/12
- Suitable for other sports – cycling and yachting, for example
- Continuing to develop the platform to make more robust and scalable
- Suitable for international expansion



# Recruitment Advisor



- Recruitment and job application management system assisting the candidate evaluation process
- Suitable for small to medium enterprises
- Developed during 2011 with recruitment agencies
- Leading retail organisation employing in excess of 1,400 staff now utilising
- Management estimates achieving market share of 1.0 per cent of job market after first year of operations – tracking ahead of forecast
- ERP integration potential

# Additional information on Global Group

For additional information on Global Group's operations, please visit the following sites:

- Global IT [www.globalit.net.au](http://www.globalit.net.au)
- Social Loot [www.socialloot.com](http://www.socialloot.com)
- Global Entries Online [www.globalentriesonline.com.au](http://www.globalentriesonline.com.au)
- Recruitment Advisor [www.recruitmentadvisor.com](http://www.recruitmentadvisor.com)

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