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ASX Announcement

HT8 acquires Fstop Labs business

HT8 has agreed to acquire the business of Fstop Labs, an on-line supplier of drone accessories and other niche products.

About Fstop Labs:

- The Fstop Labs business is wholly on-line. It utilises the US Amazon platform, eBay store and direct sales from its website.
- The business derived a pre-tax profit of US\$1 million for the year ended 31 December 2018. HT8 believes the business is currently operating at the same level of profit.
- A major proportion of the revenue generated by the business is the sale of accessories for drones to the US market.

Products

The three major brands of products sold by Fstop Labs are:

Brand	Products
Spark	Landing gear legs, lens hoods and protective guards, battery chargers, camera covers, LED arm covers
Mavic	Battery chargers, equipment cases, signal extenders, landing gear replacements, battery chargers, propeller guard protectors, replacement cables, camera holders, vibration dampeners
DJI	Yaw arm replacements, camera cables, mini-electric motors

Contract details

- The vendor is QUBOT LLC, a private company based in California. QUBOT LLC is not a related party and shareholder approval will not be required for the acquisition.
- The consideration payable for the business is calculated and paid quarterly, based wholly on the profit performance of the business in each of the four quarters after completion. Set out below are the formulas for calculating the consideration payable each quarter.
- The consideration payable will be 60% in cash and 40% in HT8 shares. The issue price of the shares will be the greater of A\$0.03 and the VWAP of the previous 30 days on which trading of HT8 shares took place up to the last day of the quarter in respect of which the shares are to be issued.
- The total consideration payable will range between a minimum of nil and a maximum of A\$2 million, which will be made up of \$1.2 million in cash and \$800,000 in HT8 shares. The maximum consideration will be paid if the accumulated profit over all four quarters is equal to or above US\$900,000.

Calculation of consideration

The quarterly calculation of the consideration is made using the following formula:

1. The profit target ("Target") for the September 2019 quarter is US\$200,000. The Target for the three subsequent quarters is increased each quarter by 5%.
2. If the profit for the quarter is less than US\$125,000, there is no payment to the vendor.
3. If the profit for the quarter is equal to or more than US\$125,000 and below the Target, then the consideration for that quarter is A\$500,000 x Profit/Target.
4. If the profit for the quarter is equal to or more than the Target, then the consideration for that quarter is A\$500,000.

Funding

HT8 has sufficient cash to pay the cash consideration. The transaction has been structured so that HT8 is only required to pay the cash consideration for the business after the end of the quarter and only if the business has made a minimum level of profit for the quarter. Accordingly, it is expected that a large proportion of the cash consideration payable will be generated from the quarterly profits of the business.

Business development

The Fstop Labs acquisition signifies a tangible move by HT8 in realising its M2C (Manufacturer to Consumer) strategy. HT8 expects to utilise its existing supplier relationships in China to assist the future expansion of the Fstop Labs business both in the product range and the countries of operation.

Garrison Huang
Managing Director