

ASX ANNOUNCEMENT

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Robo Accelerates Education Strategy with MyStemKits Acquisition and \$3.50m in new funds raised

KEY HIGHLIGHTS

- Robo announces the Acquisition of USA education software and content business, MyStemKits, which is the world's largest library of Science, Technology, Engineering and Maths ("STEM") curriculums incorporating 3D printable kits for K-12 schools.
- Over five years invested into MSK content by the Florida Center for Research in STEM ("FCR-STEM") within the Learning Systems Institute at Florida State University ("FSU").
- Unaudited revenue of US\$2.0 (A\$2.66 million) in CY2017 and EBITDA of US\$0.8 million (A\$1.08 million) on an adjusted, pro forma basis.
- Total consideration of US\$2.0 million (A\$2.63 million), payable as 60% cash and 40% deferred equity representing 1.0x revenue multiple and 2.4x EBIT multiple.
- The Acquisition is expected to be earnings accretive in FY19.
- Compelling strategic rationale that substantially strengthens Robo's market position in education and accelerates its growth strategy and path to profitability in the following ways:
 - Delivers end-to-end solution for incorporation of 3D printing into STEM education
 - Estimated US\$1.25 billion total addressable market for STEM curriculum in USA
 - 335 existing relationships with USA schools (~100,000 schools in USA)
 - Upfront software-as-a-service model provides strong recurring revenue base
 - High gross margin products provide strong cash flow generation
 - Contractual relationship with FSU for ongoing curriculum development
 - Positions Robo to attract government and corporate funding opportunities
- Funds committed of A\$3.50 million to finance the Acquisition and provide working capital for the combined business.
- The acquisition and placement are subject to shareholder approval at an EGM.
- To accelerate path to breakeven, \$1.0 million in annual cost savings identified with reductions already underway and to be fully implemented by September 2018.
- The Company is proposing to appoint experienced ASX executive and existing cornerstone shareholder Tony Grist as Chairman of the Company.

TRANSACTION OVERVIEW

Robo 3D Limited (“**Robo**” or the “**Company**”), the emerging company delivering award-winning products for the desktop segment of the 3D printing industry, is pleased to advise that it has, through its wholly owned subsidiary, Robo 3D, Inc., entered into an agreement (“**Acquisition Agreement**”) to acquire the MyStemKits business (“**MSK**”) from MyStemKits, LLC (“**Acquisition**”). Completion of the Acquisition is subject to shareholder approval and financing.

Under the Acquisition Agreement, Robo will acquire MSK on a cash-free and debt-free basis for a total consideration of US\$2.0 million (A\$2.63 million). The Acquisition will be funded by a cash payment of US\$1.2 million (A\$1.58 million) at completion, with the balance to be paid through the issue of new Ordinary Shares that will be subject to a voluntary 12 month escrow period from the date of completion. In addition, Robo will pay a royalty of 5% on all MSK license revenue generated for the five-year period following completion of the Acquisition. Three full-time employees of MSK will transfer to Robo with the sale, whilst a services agreement will be executed to provide additional technical resources on an “as required” basis for those employees not transferring with the sale.

ABOUT MYSTEMKITS

MSK was established in 2013 and has grown into a leading USA “EdTech” business that develops and markets the world’s largest library of Science, Technology, Engineering and Maths (“**STEM**”) curriculums incorporating 3D printed project kits for K-12 schools, all aligned to USA national science (“**NGSS**”) and mathematics (“**Common Core**”) standards. It was recently recognised as a finalist for the best STEM Solution by EdTech Digest at the 2018 EdTech Awards.



Case Study – Windfarm Kit

- Kit provides sample wind farm blades and instructions on how students can create their own using 3D printing software, such as Tinkercad.
- Uses a fan to test the efficiency of each design as it lifts a weight.
- Classes build and test students’ designs to determine the optimal blade which balances cost and efficiency. They investigate surface area, renewable energy sources, and the iterative design process.

<p>Recent shift to commercialisation delivering strong revenue.</p>	<ul style="list-style-type: none"> • Direct sales commenced in late 2017 with resellers including Dremel, Konica Minolta, Synnex, and education-focused reseller EduTech in the UAE. • Access to MSK platform and lesson plans are sold to schools on an annual license basis, typically US\$10-15 per student per annum depending on the size of the school. • In 2017, MSK generated unaudited revenue US\$2.0 million (A\$2.66m) including US\$0.6 million (\$0.73 million) of license revenue and US\$0.8 million (A\$1.08 million) in EBITDA.
<p>Developed and extensively tested in the classroom by</p>	<ul style="list-style-type: none"> • Curriculum developed over 5 years in conjunction with the Florida Center for Research in Science, Technology, Engineering & Mathematics (“FCR-STEM”) within the Learning Systems Institute at Florida State University (“FSU”), a

<p>Leading academic researchers.</p>	<p>leading research and development centre for maths and science teaching and learning.</p> <ul style="list-style-type: none"> • FCR-STEM was awarded over US\$100m in contracts and grants since its inception in 2007 to support the research and development initiatives including those related to the development and testing of MSK. • Research partnership with FCR-STEM will continue post-Acquisition under new License Agreement for the development of new lesson plans and curriculum, including computer science subject matter.
<p>Proven market acceptance by educators and administrators.</p>	<ul style="list-style-type: none"> • MSK’s lesson plans have been used by over 2,000 teachers in the USA (mostly Florida), with 335 annual subscriptions sold in 2017 that are due for renewal in second half of 2018. • Initial launch focused on schools and teachers in Florida, where MSK and FSU have achieved outstanding results highlighted by the following feedback from users: 97% would recommend to other teachers, 96% rate it as highly engaging, and 92% of customers say it is easy to use.
<p>Incorporates 3D printing of manipulatives for highly engaging STEM lessons and projects.</p>	<ul style="list-style-type: none"> • MSK provides access to lesson plans and accompanying 3D files that can be used to 3D print project kits to complement a wide range of K-12 STEM lessons. • 3D printed manipulatives shown to increase teacher and student engagement and are a very cost effective solution compared to traditionally manufactured project kits (up to 90% cost savings). • Strong pipeline of new lesson plans for existing subject matter and expansion into new Computer Science subjects. Each curricular lesson comprises: <ul style="list-style-type: none"> ○ Lesson plan ○ Teacher guide ○ Student assessments ○ Student activities and handouts ○ Ready-to-print 3D model (or pre-printed physical models if requested)

STRATEGIC RATIONALE

The digital economy is driving investment in the education of 21st century skills such as problem solving, design thinking, and collaborative learning in schools. Along with coding and robotics, 3D printers are emerging as critical STEM education teaching tools to prepare students for the new digital world, leading to an increased adoption of 3D printing technologies in K-12 schools.

Alongside complementary curriculum such as MSK, Robo’s 3D printers form an integral part of the infrastructure in schools, training colleges, universities, and the rapidly growing out-of-school programs. As announced to ASX on 14 March 2018, Robo has focused significant resources on expanding its presence into education to deliver a “turnkey” education solution. The Acquisition of MSK delivers a compelling addition to its existing education portfolio.

<p>Delivers market-leading end-to-end solution for 3D printing in education.</p>	<ul style="list-style-type: none"> • c. 100,000 K-12 schools in USA with c. 5m teachers educating 50m+ students. • Addressable market for STEM curriculum is estimated at c. US\$1.25 billion p.a. • Currently a gap in the market for high quality standards-driven curriculum that integrates 3D printing across multiple subject areas and age groups. • Robo’s printers and filament along with a complementary MSK curriculum and professional development and training will be a major differentiator. • Competing 3D printing companies feature individual lesson plans (if any at all) and none have been developed by organisations specialising in curriculum research.
<p>Tuck-in IP Acquisition accelerates market expansion</p>	<ul style="list-style-type: none"> • Tuck-in IP asset purchase is faster, easier and cheaper than developing in-house. • Estimated to save a minimum of two years development effort. • Ongoing lesson development to continue via contract with FCR-STEM for development of new lesson plans and content.
<p>Expand revenue opportunity from Robo customer base.</p>	<ul style="list-style-type: none"> • Robo has sold to over 500 schools in the USA so immediate opportunity to directly target these schools and cross-sell MSK plus professional development courses. • In addition, Robo can leverage MSK into its USA-wide value-added reseller network by adding high margin, multi-year MSK software offering.
<p>Increase MSK penetration across USA and internationally.</p>	<ul style="list-style-type: none"> • Majority of revenue for MSK has been generated from schools in Florida. • The success of MSK in Florida validates the MSK offering, and will provide the blueprint for roll-out across other USA states. • Further expansion opportunities exist for expansion in key international markets.
<p>Improves cash flow and working capital.</p>	<ul style="list-style-type: none"> • Subscription to MSK is sold in annual licenses typically payable upfront providing high margin sales with strong cash flow generation. • Recurring nature of software licenses provides strong visibility of revenue, and positions Robo for upgrade printer sales.
<p>Improves Robo positioning for large tender and grant funding opportunities.</p>	<ul style="list-style-type: none"> • Software and hardware bundling substantially improves probability of securing large contracts with school districts throughout the USA. • Large corporates have identified STEM skills shortages as a major risk to their business models, and have allocated significant funds towards funding STEM education programs (e.g. Verizon has a US\$400m fund for STEM education).
<p>Accelerates pathway to breakeven</p>	<ul style="list-style-type: none"> • Based on sales pipeline and software renewals, Robo expects MSK to be self-funding from completion of the Acquisition. • Significant cost synergies realised on day 1 via the transfer of only three full-time employees mitigating cost expansion risk. • The addition of a profitable MSK business and the expected revenue uplift opportunities are expected to accelerate Robo’s pathway to breakeven.

OPERATIONAL COSTS REDUCTIONS

The Company has completed a detailed operational review of the Robo 3D operations and identified around \$1.0 million of cost reductions to accelerate the path to breakeven and align the organisational structure with the strategic focus on education.

The cost savings include:

- Reduction in managing director salary.
- Reduction in executive director and co-founder salaries.
- Re-alignment of sales leadership to focus on opportunities in software and education.
- Removal of external contractors.
- Termination of over 10% of roles in USA operational team.

These cost savings have already commenced and will be fully completed before the end of the September quarter.

APPOINTMENT OF CHAIRMAN

The Company is proposing to appoint experienced ASX executive and existing cornerstone shareholder Tony Grist as Chairman of the Company to lead the implementation of the Company's growth strategy. Mr Grist's appointment is subject to him completing due diligence on the Company before the EGM and completion of the Acquisition and Placement.

Profile of Mr Grist

- Co-founder and former CEO then Chairman of ASX-Listed Amcom Telecommunications.
- Led Amcom's merger with Vocus Communications to create a A\$5.0bn major Trans-Tasman fibre-optic carrier business.
- Whilst Chairman of Amcom led the purchase of 19.9% of iiNet at ~A\$85m market cap, which became 23.5% after follow-on financing.
- Subsequently joined the board of iiNet, which made 21 Acquisitions over 6 years before TPG's acquisition at a ~A\$1.6bn market cap.
- Current Principal of Albion Capital Partners, an active VC business which had founding cornerstone positions in US oriented geospatial imagery business, Spookfish, radiotherapy medical device company Oncosil, stem cell regenerative medicine company Cynata Therapeutics, and also led the purchase from Mayne Health and re-listing on the ASX of Mayne Pharma, amongst many other innovative transactions.
- Tony has had directorships in Canada, United Kingdom and Australia in the healthcare, mining and energy industries.

Mr Grist will join the Company to assist with the integration of MSK into the Robo operations, and provide leadership and management support to implement the Company's growth strategy into the education sector following the Company's proposed acquisition of MSK.

Robo Managing Director Ryan Legudi said: "Tony has been a shareholder of Robo 3D and we are now delighted to have him want to join our board to see the Company through this transformative acquisition. Tony is widely recognised as an industry leader and has successfully driven large-scale M&A strategies that have delivered significant shareholder value. His skills are aligned with our current

growth strategy and with his vast capital markets experience, we expect him to make an immediate impact to our Company”.

Tony Grist added: “The distribution platform throughout the US and internationally that Robo has established for its award winning desktop 3D printing series makes it uniquely placed to expand on the existing sales profile of the proposed acquisition of the STEM curriculum and 3D printing software business, MyStemKits.”

“Sales for the core printer business in FY2018 are substantially more than FY2017 so there is strong momentum there. But what really attracts me to this transaction are the high margins and recurring SaaS model of the complementary MSK business, along with Federal and State funding initiatives driving STEM curriculum sales. I’m looking forward to seeing where we can take it as a bundle, and I wouldn't rule out more accretive acquisitions in the education content software sector in the US,” he added.

The Company is continuing to review the composition of its Board and will make further announcements in due course.

COMPLETION OF CAPITAL RAISING

Firm commitments for A\$3.25 million Placement received from leading institutional investors

Robo announces it has received firm commitments to raise A\$3.25 million via the placement of 130,000,000 ordinary shares at a price of A\$0.025 per share (“**Placement**”). The Placement will be conducted in a single tranche subject to the approval of shareholders at the Company’s next General Meeting.

The funds will allow the Company to:

- Complete the Acquisition of MSK with US\$1.2 million (A\$1.58 million) cash payment to the vendor of MSK;
- Accelerate Robo’s sales and marketing activities;
- Align MSK curriculum to meet education standards in key international markets;
- Fund inventory purchases and new product development;
- Repay debts and other financing costs; and
- Fund other general working capital purposes.

The Company believes the benefits from funds raised in this Placement at a discount to the 10-day VWAP of 4.9%, and at a 13.6% premium to the last closing price, outweigh the inability of shareholders to participate.

Astrion Capital Pty Ltd and Velocity Trade Pty Ltd acted as Joint Lead Managers to the Placement. The Placement was not underwritten, and the Joint Lead Managers will receive a fee of 6.0% of funds raised.

ADDITIONAL DRAWDOWN AND EXTENSION OF SECURED TERM LOAN

The Company has agreed to a further A\$250,000 drawdown pursuant the existing secured term loan with Denlin Nominees Pty Ltd (an entity related to Mr Tony Grist) and extend the maturity date of the loan to 31 July 2019. The A\$250,000 will be converted to Shares at an issue price of A\$0.045 per Share, subject to Shareholder approval. The Company will pay a facility extension fee of 10% of the amount drawn under the facility. These arrangements are subject to the ASX granting a further waiver of Listing Rule 10.1 in respect of the Denlin facility.

EFFECT ON CAPITAL STRUCTURE

The effect of the Acquisition and the Placement on the capital structure of the Company is set out below:

	Shares	Options	Performance Rights
Currently on issue	370,352,055	25,766,387	13,999,720
To be issued pursuant to Placement	130,000,000	-	-
To be issued pursuant to the Acquisition	42,105,263 ¹		
Total Shares on issue after completion of the Acquisition and Placement	542,457,318	25,766,387	13,999,720

Notes to capital structure:

1. Example given using a AUD\$:US\$ exchange rate of \$0.76 and the price per Share of \$0.025 under the Placement. As part of the consideration for the Acquisition, the Company will issue, subject to Shareholder approval, such number of Shares calculated by dividing the Australian dollar equivalent of US\$0.8 million (using the US\$:AUD\$ conversion rate as published by Bloomberg on the date of completion of the Acquisition) by the 5 day VWAP immediately preceding the date of completion of the Acquisition. The notice of meeting for the EGM to approve the issue of the Shares pursuant to the Acquisition will include various examples based on various exchange rates and share prices.
2. As noted above, the additional A\$250,000 drawn down under the Denlin secured term loan will be converted to 5,555,556 Shares (being an issue price of A\$0.045 per Share) subject to Shareholder approval.
3. In addition, amounts owing to creditors of A\$75,000 will be converted into Shares at an issue price of A\$0.045 per Share (1,666,667 Shares) subject to Shareholder approval.
4. The Company is proposing to issue up to 3,680,000 Shares in lieu of remuneration of A\$92,000 owing to Director, Mr Ryan Legudi and 1,420,000 Shares in lieu of remuneration of A\$35,500 owing Mr Tim Grice at A\$0.025 per Share subject to Shareholder approval.
5. The Company has agreed to issue 8.85m performance rights under the Employee Performance Rights Plan to various employees with 4.125m performance rights vesting on 31 July 2018, 4.425m performance rights vesting on 31 December 2018 and 300,000 performance rights vesting on 30 June 2019.
6. In addition, the Company has agreed to issue 1m performance rights to Director, Mr Braydon Moreno (subject to Shareholder approval) half vesting on 31 July 2018 and half vesting on 31 December 2018 and 15,500,000 performance rights to Director, Mr Ryan Legudi (subject to Shareholder approval) with vesting conditions which will be detailed in the notice of meeting for the EGM.

INDICATIVE TIMETABLE

An indicative timetable for the Acquisition, Placement and associated events is set out below. This timetable is indicative only and may be subject to change.

Event	Date
Dispatch Notice of Meeting to Robo Shareholders	22 June 2018
Robo Shareholder Meeting	23 July 2018
Completion of Placement and Acquisition	26 July 2018

— ENDS —

Material Terms and Conditions of the Acquisition Agreement

- The Company will acquire the MSK business.
- The consideration for the Acquisition will be US\$2.0 million (A\$2.63 million) comprising:
 - a cash payment of US\$1.2 million (A\$1.58 million); and
 - the issue of such number of Ordinary Shares calculated by dividing the Australian dollar equivalent of US\$0.8 million (using the US\$:AUD\$ conversion rate as published by Bloomberg on the date of completion of the Acquisition) by the 5 day VWAP immediately preceding the date of completion of the Acquisition.
- The ordinary shares will be subject to a voluntary escrow period of 12 months from the date of completion of the Acquisition.
- For a period of five years from completion of the Acquisition, the Company will pay an amount in cash of 5% of the revenue that the Company receives from the sale or license of the software for 3D printable manipulatives to align with STEM curriculum acquired in connection with the MSK business.
- Completion of the Acquisition is subject to a number of conditions including:
 - Robo obtaining all approvals required to implement the Acquisition including Shareholder approval of the issue of the Ordinary Shares;
 - Amendment of the license agreement with FSU to extend the term of that agreement (to be effected by the Company and FSU executing a replacement license agreement);
 - Robo completing a capital raising of not less than US\$2.0 million (which will be satisfied by completion of the Placement);
 - MSK issuing an invoice to the Florida State University for at least US\$300,000;
 - Robo entering into employment agreements with the employees who are transferring from MSK.
- The Company has agreed to make employment offers to three employees of the MSK business with effect from completion of the Acquisition.
- Following completion the parent company of the vendor of the MSK business will provide transition services and technical resources to the Company on an “as required” basis.
- Non-competition clause preventing the MSK vendor from competing with the MSK business for a period of three years from completion of the Acquisition.
- The MSK vendor have given warranties and representations in favour of the Company which are customary for a transaction of this nature.

Given the size of the proposed capital raising and the shares to be issued to the vendor of MSK under the Acquisition, the Company will be calling an extraordinary general meeting to have shareholders approve the issue of these shares. Further information about the Acquisition will be included in the notice of meeting for the extraordinary general meeting. Robo has received confirmation from ASX that Listing Rules 11.1.2 and 11.1.13 do not apply to the proposed Acquisition.

As noted above, the Company has entered into a license agreement with FSU to license the intellectual property in the "K-12 Lessons using 3D Printing and MySTEMKits" and any product, processes, apparatus, kits or components for which the manufacture, sale or use is covered by FSU's copyright ("**Licensed Content**") on the following key terms:

- FSU has granted the Company an exclusive license to copy, distribute, display, perform, make, use and sell products and services incorporating the Licensed Content in the manufacture and sale of educational kits of 3D printed models and curriculum, worldwide.

- The license agreement is for a term of five years from execution automatically renewing for further five year terms unless the Company advises otherwise.
- The Company can terminate the license agreement at any time by giving 60 days written notice of termination. FSU can terminate the license agreement for cause (including the Company failing to meet any payment or reporting requirement or the Company not diligently developing and commercialising products and services using the Licensed Content) by giving 30 days written notice and provided the Company does not remedy the problem within that 30 day period, or immediately if the Company fails on two separate occasions to pay expenses when due in any consecutive three year period.
- The Company will pay FSU a royalty equal to 10% of the net sales of products sold by the Company that incorporate the Licensed Content.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included on this announcement including, without limitation, statements regarding future plans and objectives of Robo, are forward-looking statements. Forward-looking statements can be identified by words such as ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘future’, ‘intend’, ‘may’, ‘opportunity’, ‘plan’, ‘potential’, ‘project’, ‘seek’, ‘will’ and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Robo that could cause actual results to differ from the results expressed or anticipated in these statements.

Further information

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About Robo 3D Limited

Robo 3D Limited (**ASX.RBO**) is a company based in California, USA, focused on the design and distribution of 3D printers and associated products for the desktop segment of the 3D printing industry (**Robo**).

The company was founded in 2012 by a group of students from San Diego State University and delivered its first model to customers in 2013. Since then, Robo has grown into a leading brand in the desktop segment of the 3D printing industry, gaining significant traction online and through retail partners including Amazon and Best Buy. Robo commenced trading on the ASX on 22 December 2016.

To learn more about Robo 3D, visit: www.robo3d.com